

## Message Text

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ACTION EA-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02  
SS-15 USIA-06 AID-05 EB-08 OMB-01 TRSE-00 EUR-12  
INT-05 COME-00 AGRE-00 SIL-01 LAB-04 OES-07 STR-05  
/120 W

-----084651 140209Z /63

R 130600Z SEP 77  
FM AMEMBASSY PORT MORESBY  
TO SECSTATE WASHDC 2603  
INFO AMEMBASSY CANBERRA  
AMEMBASSY JAKARTA  
AMEMBASSY SUVA  
AMEMBASSY WELLINGTON  
USMISSION USUN NEW YORK  
CINCPAC HONOLULU/POLAD

C O N F I D E N T I A L SECTION 1 OF 2 PORT MORESBY 1287

CINCPAC FOR POLAD

E.O. 11652: GDS  
TAGS: PDEV PGOV ECON SOCI PP  
SUBJ: PAPUA NEW GUINEA AT THE SECOND ANNIVERSARY OF INDEPENDENCE

SUMMARY: PAPUA NEW GUINEA CELEBRATES ITS SECOND ANNIVERSARY  
OF INDEPENDENCE ON SEPT 16. IT HAS FARED REASONABLY WELL DURING  
THESE TWO YEARS, WEATHERING BOTH POLITICAL AND ECONOMIC  
CHALLENGES MORE SUCCESSFULLY THAN MANY OTHER THIRD WORLD  
COUNTRIES. IT HAS MAINTAINED ITS TERRITORIAL INTEGRITY, ITS  
DEMOCRATIC PROCESSES, AND ITS POLITICAL STABILITY. ITS  
ECONOMY IS EXPANDING. SERIOUS PROBLEMS LIE AHEAD, BUT FEWER  
THAN AWAITED THE GOVERNMENT AT INDEPENDENCE. END SUMMARY.

1. PAPUA NEW GUINEA HAS MAINTAINED ITS DEMOCRATIC PROCESSES.  
IT RECENTLY HELD A FREE AND RELATIVELY HONEST NATIONAL  
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ELECTION, AND PROMPTLY AND PEACEFULLY CHOSE A PRIME MINISTER  
AND CABINET. INTENSE INTEREST DEVELOPED IN THE ELECTION  
BUT VERY LITTLE VIOLENCE. A VERY LARGE NUMBER OF CANDIDATES  
SOUGHT OFFICE AND THE TURNOUT OF VOTERS WAS GOOD. THE  
MAJORITY OF INCUMBENTS LOST THEIR SEATS. THE RESULTING PARLIAMENT  
IS YOUNGER AND BETTER EDUCATED AND FURTHER INTO THE  
MODERN WORLD THAN ITS PREDECESSOR. THE CABINET, ALTHOUGH LARGE

AND UNWIELDY, IS PROBABLY MORE COMPETENT THAN THE PREVIOUS.  
THE TWO COALITION PARTIES ARE MORE BROADLY REPRESENTATIVE  
GEOGRAPHICALLY THAN THEY WERE IN THE PAST.

2. LAW AND ORDER HAVE NOT BEEN SERIOUSLY CHALLENGED ALTHOUGH  
CLAN FIGHTING IN PARTS OF THE HIGHLANDS CONTINUES AND HAS IN FACT  
BECOME WORSE IN THE PAST SEVERAL MONTHS. THE LAND PROBLEM, THE  
SOURCE OF MUCH CLAN FIGHTING, WILL BECOME MORE ACUTE BEFORE  
IT IS EVENTUALLY SOLVED. URBAN CRIME IS A PROBLEM BUT  
TERRORIST ACTIVITY IS NONEXISTENT.

3. BOUGAINVILLE'S DESIRE FOR SECESSION HAS BEEN CONTAINED,  
AT LEAST FOR THE PRESENT, AND SERIOUS DISSENSION AMONG BOUGAINVILLE'S  
FORMER SECESSION LEADERS HAS DEVELOPED. THE TIDE OF REGIONALISM  
IS GROWING, HOWEVER, STIMULATED BY THE RECENT ELECTION. OTHER  
REGIONS ARE PICKING UP RALLYING CRIES OF BOUGAINVILLE AND PAPUA  
AND ARE DEMANDING MORE RESOURCES AND GREATER REPRESENTATION  
IN ALL IMPORTANT BODIES. SPOKESMAN OF THESE GROUPS WILL BE  
THE SOURCE OF HARSH CRITICISM OF THE GVERNMENT IN PARLIAMENT.

4. PROVINCIAL GOVERNMENT WILL EASE SOME OF THE PRESSURE  
OF REGIONALISM AND SECESSION, ESPECIALLY WITH FORMER SECESSIONIST  
LEADER MOMIS AS MINISTER FOR DECENTRALIZATION. HOWEVER,  
THE ESTABLISHMENT OF 15 OR 20 PROVINCIAL GOVERNMENTS IN A COUNTRY  
WITH LIMITED PERSONNEL RESOURCES WILL CREATE NEW PROBLEMS AND  
BRING ABOUT NEW DISAPPOINTMENTS.  
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5. THE GPNG HAS INSTITUTED A SYSTEM OF VILLAGE COURTS TO PLACE  
JUSTICE IN THE HANDS OF PEOPLE AT THE GRASS ROTTS AND TO HELP  
BRIDGE THE DISTANCE BETWEEN LOCAL CUSTOM AND MODERN LAW. THIS  
SYSTEM APPEARS TO BE EFFECTIVE IN DEALING WITH CERTAIN TYPES  
OF OFFENSES AND IN PROVIDING GREATER RESPONSIBILITY TO THE  
VILLAGES.

6. MUCH EXPERIENCE HAS BEEN GAINED BY GOVERNMENT OFFICIALS,  
AND THE NUMBER OF TRAINED PERSONNEL IS GROWING. SELF-CONFIDENCE  
AND SELF-ASSURANCE HAVE INCREASED. THE DEPENDENCE ON EXPATRIATE  
ADVISORS IS SLOWLY DECLINING AS PAPUA NEW GUINEANS ARE STEPPING  
INTO POSITIONS PREVIOUSLY HELD BY AUSTRALIANS. THE INFLUENCE  
OF THE REMAINING EXPATRIATES SEEMS TO BE LESSENING.

7. ON THE OTHER SIDE OF THE COIN WE MUST NOTE THAT PAPUA NEW  
GUINEA'S GOVERNMENTAL INSTITUTIONS ARE STILL VERY FRAGILE AND  
ARE NOT ROOTED IN PNG SOCIETY. THE TRADITIONS OF THE MODERN  
WORLD NEEDED FOR STABILITY IN THE FACE OF MODERN CHALLENGES  
ARE MISSING. THE NUMBER OF INDIVIDUALS WITH CAPACITY FOR TOP  
LEADERSHIP IS STILL SMALL, AND THE CRASH OF A SMALL AIRPLANE WITH  
A FEW TOP FIGURES COULD CHANGE THE OUTLOOK RADICALLY. WHILE

THE ELECTION APPEARED TO BE A CLEAR-CUT VICTORY FOR THE COALITION, ITS MANDATE IS OPEN TO QUESTION BECAUSE OF THE LOW PERCENTAGE OF VOTES RECEIVED BY MOST WINNING CANDIDATES. FURTHER, THE OPPOSITION HAS NEW AND STRONGER VOICES, AND IS LESS LIKELY TO GIVE THE GOVERNMENT THE TACIT SUPPORT IT GAVE IN THE PAST.

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C O N F I D E N T I A L SECTION 2 OF 2 PORT MORESBY 1287

CINCPAC FOR POLAD

8. DURING THIS PERIOD PAPUA NEW GUINEA HAS MAINTAINED GENERALLY GOOD RELATIONS WITH OTHER COUNTRIES IT HAS JOINED THE UN AND SOME OF THE SPECIALIZED AGENCIES. ITS ROLE HAS BEEN VERY MINOR IN THESE ORGANIZATIONS, BUT ITS INTEREST IN MULTI-LATERAL DIPLOMACY IS GROWING. IT HAS AVOIDED BIG POWER RIVALRY TO THE GREATEST EXTENT POSSIBLE. ITS REFUSAL TO LET THE USSR AND THE PRC OPEN DIPLOMATIC MISSIONS IN PORT MORESBY HAS BEEN STEADFAST, BUT AT LEAST THE SOVIETS CONTINUE TO DEMONSTRATE INTEREST. RELATIONS WITH THE SOLOMON ISLANDS HAVE IMPROVED. PAPUA NEW GUINEA IS HOSTING AN INCREASING NUMBER OF MEETINGS OF SOUTH PACIFIC COUNTRIES INCLUDING AN IMPORTANT SOUTH PACIFIC FORUM MEETING. IT IS SLOWLY TRYING TO ESTABLISH SOME DEGREE OF LEADERSHIP AMONG THE PACIFIC NATIONS, AND GIVEN ITS MUCH LARGER POPULATION AND GREATER WEALTH WILL PROBABLY DO SO EVENTUALLY.

ITS IDENTITY AS A PACIFIC STATE GROWS, AND IT IS INCREASINGLY  
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RESENTFUL OF BEING GROUPED WITH EAST ASIAN OR SOUTHEAST ASIAN  
NATIONS IN THE EYES OF OTHERS. RELATIONS WITH INDONESIA IMPROVED  
AS A RESULT OF PRIME MINISTER SOMARE'S VISIT TO JAKARTA IN  
JANUARY, BUT THE IRIAN JAYA BORDER SITUATION CONTINUES TO BE  
A FESTERING SORE.

9. AUSTRALIA CONTINUES TO BE THE MOST IMPORTANT EXTERNAL  
INFLUENCE BUT THE TORRES STRAIT ISSUE (ESTABLISHMENT OF THE  
SOUTHERN BORDER WITH AUSTRALIA) COULD POISON RELATIONS WITH  
ITS MOST GENEROUS BENEFACTOR. A SERIOUS CONFRONTATION COULD  
DEVELOP. EVEN THOUGH AUSTRALIA WOULD PROBABLY CONTINUE TO OFFER  
A HIGH LEVEL OF ECONOMIC AID ON A GRANT BASIS AND EVEN  
THOUGH PNG WOULD UNDOUBTEDLY CONTINUE TO ACCEPT IT, NEVERTHELESS  
AUSTRALIA'S INFLUENCE COULD EVAPORATE IN A SHORT TIME.

10. THE INTERNATIONAL ECONOMIC RECESSION GREW WORSE JUST AFTER  
INDEPENDENCE, BUT THE NATION SURVIVED THE RECESSION WITHOUT A  
SERIOUS IMPACT. THE ECONOMY HAS IMPROVED DURING THE PAST YEAR.  
THE ECONOMIC BASE HAS BROADENED AND THE ONCE-HEAVY DEPENDENCE ON  
COPPER REVENUE HAS DECLINED. NVERTHELESS, THE DEGREE OF DEPENDENCE  
ON AUSTRALIAN AID AND COPPER REVENUE IS HIGH. THE NEW CURRENCY  
INTRODUCED JUST BEFORE INDEPENDENCE HAS REMAINED STABLE AND  
RESERVES HAVE RISEN STEADILY AND IMPRESSIVELY. EXPORTS HAVE  
INCREASED AND EXPORT PRICES, EXCLUDING COPPER AND COPRA,  
HAVE BEEN HIGH. INTERNAL INVESTMENT IS PICKING UP. EXTERNAL  
DEBT IS NEGLIGIBLE.

11. EXPECTATIONS ARE RISING RAPIDLY AND THE PRESSURES FOR  
ECONOMIC DEVELOPMENT ARE ENORMOUS. THE MATERIALISTIC NATURE  
OF THE MELANESIAN PEOPLE IS EMERGING. THE SOMARE GOVERNMENT IS  
BEING SEVERELY CRITICIZED FOR ITS FAILURE TO PROVIDE THE SERVICES  
THE PEOPLE WANT AND FOR NOT PROVIDING THE ECONOMIC STIMULUS  
THE RURAL AREAS DESIRE. THESE SHORTCOMINGS ARE INTENSIFYING  
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PRESSURES FOR REGIONALISM. UNEMPLOYMENT IS NOW SERIOUS AND WILL  
RAPIDLY BECOME WORSE. THE URBAN DRIFT HAS ONLY BEGUN AND IS  
EXPECTED TO WORSEN SIGNIFICANTLY. THE PRICE OF SOME EXPORT  
COMMODITITES, ESPECIALLY COFFEE, IS BEGINNING TO DROP. WAGES  
CONTINUE TO RISE AND PNG HAS PRICED ITSELF OUT OF THE MARKET  
IN SOME AREAS.

12. FOREIGN INVESTMENT HAS BEEN SLOW TO MATERIALIZE, AND MANY

DEVELOPMENT PROJECTS THAT LOOKED PROMISING TWO YEARS AGO ARE NOW ON THE SHELF. THE SEARCH FOR OIL CONTINUES, BUT IT HAS NOT YET BEEN FOUND. FEASIBILITY STUDIES ARE BEING MADE ON TWO COPPER DEPOSITS, BUT THE CONTINUED DEPRESSED PRICE OF COPPER ON THE WORLD MARKET OFFERS LITTLE ENCOURAGEMENT FOR DEVELOPMENT. NO IMPORTANT NEW INVESTMENT HAS BEEN MADE IN TIMBER. STARKIST TUNA IS ABOUT TO BUILD A CANNING FACTORY HERE, AND JAPANESE FIRMS ARE EXPECTED TO DO LIKEWISE. THE SECOND FEASIBILITY STUDY FOR THE PURARI HYDROELECTRIC PROJECT IS COMPLETED, AND NOW THE GPNG (AND AUSTRALIAN AND JAPANESE INVESTORS) MUST DECIDE WHAT TO DO NEXT. PAPUA NEW GUINEA IS BECOMING MORE ATTRACTIVE TO FOREIGN INVESTORS DUE TO ITS RECENTLY DEMONSTRATED POLITICAL STABILITY, AND I EXPECT TO SEE INVESTMENT INCREASE IN THE NEXT FEW YEARS.

13. MAJOR AMERICAN BANKERS ARE VISITING PAPUA NEW GUINEA IN INCREASING NUMBERS AND WITH INCREASING INTEREST IN LENDING. I CONSIDER THIS SIGNIFICANT, AS TWO YEARS AGO THE SAME BANKS WERE COOL TOWARDS PNG.

14. IN THE NEAR-TERM FUTURE I ANTICIPATE THAT EXPECTATIONS WILL RISE FASTER AND FURTHER, BRINGING INCREASED FRUSTRATION AT THE INADEQUATE DELIVERY OF SERVICES AND FAILURE TO COPE WITH UNEMPLOYMENT. A RESULT WILL BE SEVERE PRESSURE ON THE SOMARE GOVERNMENT IN PARLIAMENT. THE RELATIONSHIP BETWEEN THE NATIONAL GOVERNMENT AND THE PROVINCES HAS NOT YET BEEN CLEARLY ESTABLISHED, AND THE INEVITABLE ECONOMIC PRESSURES WILL STIMULATE DEMANDS FOR GREATER REGIONAL AUTONOMY. NEVERTHELESS, AS A NATION PAPUA NEW GUINEA HAS DEMONSTRATED CAUTION AND BASIC COMMON  
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SENSE, AND IT HAS MANAGED TO AVOID EXTREME MEASURES SINCE SELF-GOVERNMENT. I BELIEVE THESE SAME QUALITIES WILL SEE PAPUA NEW GUINEA SAFELY THROUGH THE PROBLEMS OF THE NEXT FEW YEARS.  
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## Message Attributes

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**TAGS:** PDEV, PGOV, ECON, SOCI, PP  
**To:** STATE  
**Type:** TE  
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